Growth of a Wasteland

Amit Bhaduri

Economic growth tends to be sustained over a period of time by mutually reinforcing tendencies. This process has appeared in different guises in various fields of enquiry to describe essentially similar phenomena. Biologists have long known it as symbiosis or mutualism between two species; they appear as autocatalysis in chemical reactions, and engineers dealing with electrical circuits call similar mechanisms systems of positive mutual feedbacks. Economists Myrdal and Kaldor tried to capture this phenomenon occurring during the process of economic growth as the mechanism of 'cumulative causation', and 'dynamic increasing returns' respectively. While most processes of economic growth sustained over a period of time might be characterised by this somewhat abstract notion of mutually reinforcing tendencies, each historical process is also different in so far as it generates its own specific tendencies. It is the specificity of these reinforcing tendencies that determine to a large extent the developmental politics underlying this growth process.

The growing despair and anger in large part of Indian countryside about India's recent and unprecedented high growth has to be placed in this context. It is not simply that growth coexists with the persistence of widespread poverty and inequality. That has always been the case, and continues to be so after sixty years of political independence and democratic governance. The current pattern of high growth is different, because it requires rising inequality as its driving force. Growth feeds on increasing inequality, and increasing inequality promotes growth in a mutually reinforcing cycle of positive feedbacks. It is a World Bank-IMF promoted platitude, shared by most economists and all mainstream political parties from the traditional Right to the traditional Left, that this growth and the accompanying pattern of industrialisation would gradually alleviate poverty, as the benefits of growth begins to 'trickle down' to the poor. The actual truth is less comfortable. This high growth based on a certain pattern of industria-lisation can continue only so long as inequality and relative poverty in the society is allowed to increase, while growing inequality is justified in the name of liberalisation, globalisation, the link between capital, foreign investment and industrialisation, in short the TINA (there is no alternative) syndrome. It is also absurd to provide ideological justification along the line that the 'socialism' in Vietnam and China follows this route. These countries do not have a functioning democracy. Their extensive pro-poor policies inherited from their revolutions still survive to some extent despite market oriented reforms. The Indian context is very different. India has a flawed but functioning multi-party democracy. Its most glaring failure has been the inability to remove extensive sub-human poverty to which people continue to subject anywhere between one-third and one-fourth of Indian citizens. One cannot hope to understand the historical process of growth under Indian democracy, if one ignores this specific historical context.

The mechanism by which growing inequality drives this growth, while growth reinforces further inequality is caused apparently by two different factors. First, while India is experiencing a growth rate of some 7-8 percent in recent years, the growth in regular employment has hardly exceeded 1 percent. According to official statistics, between 1991 and 2004 employment fell in the organised public sector, and the private sector did not compensate for it. This means most of the growth, some 5-6 percent of the

GDP, is the result not of employment expansion, but of higher output per worker in contrast to earlier times when less than 4 percent growth on an average was associated with 2 percent growth in employment. This high growth in labour productivity comes in turn from two major sources. In the corporate sector, and in some organised industries it comes mostly from mechanisation, longer hours of work and downsizing of the labour force. Tata steel for example, increased in the last decade its output five-fold, but cut down labour force by nearly half, implying an almost tenfold increase in productivity. Without a corresponding increase in wages and salaries, by cutting down labour cost per unit of output this becomes an enormous source of profit, and also a source of international price competitiveness in a globalising world. One could multiply such examples, but this is broadly the name of the game everywhere in the private corporate sector. Nevertheless, this is not the entire story, perhaps not even the most important part of the story, because the corporate sector belonging to the organised industries account for at most about one-tenth of the labour force. Simply by the arithmetic of weighted average, a 5-6 percent growth in labour productivity for the whole economy is possible only if the unorganised sector accounting for the remaining 90 percent of the labour force also experiences considerable growth in labour productivity. As many field surveys show, this comes mostly from lengthening the hours of work in the unorganised sector which has no labour laws worth the name, and no social security to protect workers. Sub-contracting to the unorganised sector and casualisation of labour become convenient devices to force longer hours of work without higher pay as a source of growth in labour productivity as well as corporate profit. In this context self-employment of workers becomes another name for ruthless self-exploitation in a desperate attempt to survive by doing long hours of work with very little hourly earning. It is this category of self-employed workers (about 260 million workers) which has expanded fastest during the high growth regime proving an invisible source of labour productivity growth.

The increase in labour efficiency driving growth is partly the result of economic openness in a globalising world in two respects. The first relevant aspect is trade openness. Given the overall size and rate of expansion of the global market, which is beyond the control of an individual country like India, the thrust of trade-related economic policy becomes capturing a larger share of the global market for exports. In this respect, India like many other countries behave like a giant corporation, and try to achieve a greater share of a given world market through higher competitiveness by cutting unit cost of production. This means imposing greater wage restraint on the one hand, and attempts at raising labour productivity through measures like longer hours, mechanisation and downsizing of the labour force on the other, policies known as needed for greater labour market flexibility. It has turned international trade into an extremely competitive zero sum game, where one country winning through greater export surplus entails some other countries losing through larger export deficit. It should not be forgotten that attempts at enhancing international competitiveness also puts greater pressure on a country to invite direct foreign investments, raising concern at times over dependency to foreigners. For instance, China has been a winner in this zero-sum game, nearly 77 percent of Chinese Communication Industry is controlled by foreign investors, with foreign capital controlling the top five firms in each and every industry where the Chinese government allows foreign investment. It forced the government to introduce in September, 2006 regulations requiring companies to seek official approvals for all mergers and acquisitions involving more than 2000 employees or 25 per cent of market share.

While trade in goods and services is the more visible aspect of openness, the openness to international finance and capital flows might well be of greater consequence. Much of India's comfortable foreign reserves position (crossing 230 billion US dollars in 2008, despite the fact that India continues to import more than it exports (unlike China)) is the result of portfolio investments and short term capital inflows from foreign financial institutions. To keep the show going in this way constrains government's policy, for it requires the government policies to be compatible with the interests of the financial markets. Successive Indian governments have willingly accepted this, e.g., the Financial Responsibility and Budget Management Act (2003) restricting deficit spending serves this purpose, and so does the complementary idea that the government should raise resources through privatisation but not through raising fiscal deficit, or not imposing a significant turn over tax on transactions of securities. The hidden agenda behind these measures have been to please the large players in the financial markets who mostly take their lead from the IMF and the World Bank. The burden of such policies is borne largely by the poor of this country. It has had a crippling effects on policies for expanding public sector expenditure on health, education, public distribution, as well as on employment generation.

The 'discipline' imposed by the financial markets serves the rich but harms the poor. This is the other reason for growing inequality which expresses itself in the ideological rolling back of public expenditure in social services like health, education, and public distribution. The result is a picture of striking contrasts which is India today. On the front page of its 8 October, 2007 edition, the Times of India reported that the collective wealth of India's top ten billionaires had increased by over 65 billion US dollars or 27 percent in the third quarter year of 2007. The number of Indian billionaires rose from 9 in 2004 to 36 in 2006 with a combined wealth of 191 billion US dollars, which works out to about one fifth of India's current GDP. Estimates based on corporate profits suggest that, since 2000-01 to date, on an average each one additional per cent growth of GDP has led to some 2.5 per cent growth in corporate profits. India's high growth is sheer music to the ears of the corporation. However, for ordinary Indians it is a land devoid of hope. Nearly half of Indian children under 6 years suffer from under-weight and malnutrition, nearly 80 percent from anaemia, while some 40 percent of Indian adults suffer from chronic energy deficit. Destitution, chronic hunger and poverty is systematically more acute in rural India, and among more vulnerable groups like females, Dalits and Adivasis and also concentrated in poorer states since recent market oriented policies have widened regional disparities. After several years of high growth India now has the distinction of being only second to the United States in terms of the combined total wealth of its corporate billionaires coexisting with the largest number of homeless, ill-fed, illiterates. It is this mechanism of the high growth process that one needs to analyse. This is a process of high growth which traps roughly one in three citizens of India in extreme poverty with no possibility of escape. The high growth scene of India appears to them like a wasteland leading to the Hell once described by the great Italian poet Dante. On the gate of his imagined Hell is written, "This is the land you enter after abandoning all hopes".

Extremely slow growth in employment and feeble public action exacerbates inequality, as a disproportionately large share of the increasing output and income from growth goes to the rich, not more than say the top 20 per cent of the income groups. With their income rapidly growing, this group of privileged Indians demand a set of goods which lie mostly outside the reach of the rest in the society. The market expands rapidly, but only for a selected set of high income goods; typically they also have high service content. For instance, people are told that more than 3 in 4 Indians do not have a daily income of 2 US dollars. They can hardly be a part of this growing market. Since the market votes with purchasing power, its logic is to produce those goods for which there is enough demand backed by money so that high prices can be charged and handsome profit can be made. As the income of the privileged grows rapidly in the process of this growth, the goods they demand expand even faster through the operation of the 'income elasticities of demand' which roughly measures the percent growth in the demand for a particular commodity due to one percent growth in income. Typically, goods consumed by the rich have income elasticities greater than unity. Consequently, the demand for the goods consumed by the rich expands even faster than the growth in their income. As a result, a lop-sided composition of goods emerges in this otherwise poor country. Examples abound. There are state-of-the-art corporate run expensive hospitals and nursing homes for the rich, but not enough money to control malaria and T.B. which require inexpensive treatment. So they continue to kill the largest numbers. Lack of sanitation and clean drinking water transmit easily preventable deadly diseases especially to small children, while bottled water of various brands multiply for those who can afford. Private schools for rich kids often have fees that are higher than the annual income of an average Indian, while the poor have to be satisfied with schools without teachers, and enough class rooms because the government feels itself constrained to spend.

The resulting composition of output produced by the market in the liberalised economic regime of high growth is highly energy, water and other non-reproducible resources intensive. One only has to think of the energy and material content of air-conditioned malls, luxury hotels and apartments, air travels, private cars as means of transport. These become the symbols of 'world class' cities in a poor country, while by diverting resources they make a wasteland of the countryside where most live. This is the black hole of urbanisation with a giant appetite to gobble resources to help the rich by robbing the poor. Many are forced to migrate to cities. And it becomes another case of mutually reinforcing cumulative causation, migration-bigger cities-more depressed countryside and more impoverished agriculture, and yet more migration. The poor are forced to migrate to escape the wasteland of an increasingly impoverished agriculture, only to be pushed out of the city as unwelcome, illegal shanty dwellers and street hawkers, because a world class city cannot tolerate them.

The composition of output demanded by the rich is hardly producible by village artisans or the small producers. Naturally, they find no place either as producers or as consumers; instead, it has to be handed over to large corporations who enter in a big way into the scene. The cycle of high growth with rising inequality is now completed. The corporations are needed to produce goods for the rich, and in the process they make their high profits and provide well-paid employment for the rich in a poor country. The obliging economist or politician, usually an intellectual slave to the platitudes that go under the name of development discourse sees nothing wrong in this process. Their sermon goes that investments must flow to the most productive and profitable sectors for the efficient allocation of resources in a market economy. It is conveniently forgotten that the price mechanism guides, but the prices are a consequence of the distribution of income in the society. Which sectors are most profitable and productive are determined largely by the pattern of income distribution ruling in a market system. An increasingly unequal distribution of income might indicate a particular set of goods and lines of production as most profitable (like air conditioned malls, luxury apartments, private cars as modes of travel etc). However they would cease to be so with a more equal distribution of income in a poor country. The name of the game is to be a knowing or unknowing slave to economic platitudes, and talk of 'inclusive growth', while ignoring the link between greater inequality and higher growth. And yet, this is the link that binds the corporations with the government, and becomes the defining characteristic of India's recent high growth regime.

A common pattern of resource use dictated by a liberalised market and a corporate led state begins to emerge. This is most visible in the large developmental projects each of which displaces thousands. Hydro-electric power from the big dams is transmitted mostly to corporate industries, and a few posh urban localities, while the nearby villages are left in darkness. Peasants even close to the cities do not get electricity or water to irrigate their land as urban India increasingly gobbles up these resources. Take the case of water use. According to the Comptroller and Auditor General report released to the public on 30th March 2007, Gujarat has increased the allocation of Narmada waters to industry fivefold last year, eating into the share of drought affected villages. Despite many promises made to villagers by different governments, water allocation stagnated at 0.86 MAF (million acres feet), and now even this is being cut. Water companies and soft drink giants like Coca Cola sink deeper to take out pure ground water as free raw material for their products. Because peasants cannot match their technology or capital cost, the land in surrounding areas are left starved of water. Iron ore is mined out from distant tribal lands where people would hardly ever use iron beams or any other metal for their mud houses or roads. Common lands which traditionally provided some supplementary income to the poor are taken over systematically by the local rich as well as the corporations with active connivance of the government. While natural resources like land and water are being handed over under various guises mostly to a few corporations turning Indian countryside to a wasteland for the poor, the rich and the powerful celebrate it as the progress of the whole country. And yet, it is nothing less than the internal colonisation of many of the poorest citizens. The manifest crisis engulfing Indian agriculture is a pointer to this process, with more than a hundred thousand suicides by farmers over the last decade according to official statistics. The persons in authority are indeed colonising successfully their own agriculture, where most of their fellow citizens live.

The large corporations and the rich citizens of India who mostly benefit from this process of destructive creation of corporate wealth find that their interests increasingly coincide. A new coalition cutting across traditional Right and Left political division is being formed in the process. The name of the game is 'progress through industrialisation'. In effect, this leads to ganging up against the poor by the rich and upper classes who believe it their birth right to have all the industrial luxuries in the name of economic progress. The meagre livelihood of the poor have to be destroyed, the small and marginal peasants' lands have to be snatched, consent has to be forcibly manufactured, if and where necessary at gun point, from the adivasis, so that their thousand year old habitats can be handed over to large private corporations in the name of public interest by a democratic government. Such practices are extensive particularly in the resource rich states of Orissa, Jharkhand, Chattis-garh and Madhya Pradesh, but even the Marxist government in West Bengal is not lagging far behind. The adivasis or tribals who constitute only 8 percent of India's total population accounted for an overwhelming 55 percent of the people displaced in the name of economic progress in recent years. In this central part of India, where these states have parts of their land mass, in some 160 districts covering nearly one fourth of the land area of the country, extremist left wing movements have gathered momentum. It would have been surprising if it did not. When people are preached continuously about the eventual benefits of industrialisation, but are left with nothing but destruction of their livelihood, resistance cannot be unexpected. The governments, at the federal as well as at the state level, irrespective of their political colour consider it the 'greatest security threat' to the country. However, they do not quite explain what the dispossessed rural poor should do when all the security of their livelihoods are snatched in the name of high growth.

The middle class opinion makers, learned economists, democratic politicians, legal experts, and the media persons unite occasionally to restrict their liberal talk carefully to 'fair compensation' for the dispossessed. They are at a loss about how to create alternative dignified livelihood due to such large scale displacement and destruction. Even discussion about compensation is one sided, and focuses usually on ownership and, at best use rights to land property. However, the multitude of the poor who eke out a living without any title to landed property like agricultural labourers, fishermen, or cart-drivers in rural areas, or illegal squatters and small hawkers in cities seldom figure in this discussion about compensation. And yet, they outnumber by far, perhaps in the ratio of 4 to 1, those who have some title to property. In the meantime, the state acquires with single minded devotion land, water and resources for the private corporations for mining, industrialisation or Special Economic Zones in the name of public interest. It destroys in the process livelihoods of numerous poor people with or without titles to property, presumably these poor people do not count in defining 'public interest'. None stop to ask why the poor who are least able, should bear the burden of 'economic progress', which constitutes a rapidly growing basket of goods and services as gross domestic product without any relevance to their lives. But rich India of a mostly urban, smooth-talking upper middle class pleased with their life styles as never before, needs these goods and services, and helps corporate billionaires to shine by multiplying their number and wealth at a furious rate.

The process of internal coloni-sation of the poor, of the dalits and the adivasis and of other marginalised and forcibly dispossessed groups has set in motion a relatively little noticed social process, not altogether unknown as the relation between an imperialist 'master race' and the colonised natives. As the privileged thin layers of the society distance themselves from the poor, the speed at which the secession takes place is celebrated as a measure of the rapid growth of the country. Thus, India is poised to become a global power in the twenty first century, with the largest number of homeless, under-nourished, illiterates. Over them rules an unbridled market whose rules are fixed by the corporations aided by state power. The ideology of progress through dispossession of the poor, preached relentlessly by the united power of the rich, the middle class and the corporations colonise directly the poor, and has begun to colonise indirectly even pepple’s minds. The result is a sort of uniform industria-lisation of the mind which sees no alternative. And yet, no matter how powerful this public relations campaign is, the combined power of the corporations, the media, and the politicians, is still defenceless in a way against the life experiences of the poor. If this process of growth continues for long, it would produce its own demons. No society, not even India’s mal-functioning democratic system, can withstand beyond a point the increasing inequality that nurtures this high growth. The dissent of the poor must either be suppressed with increasing state violence against the poor flouting every norm of democracy, and violence will be met with violence to engulf the whole society. Or, an alternative path to development that deepens democracy with popular participation has to be found. Neither the rulers nor the ruled can escape for long this challenge thrown up by high growth. ooo

References :

India Development Report, edited by R. Radhakrishna, Oxford University Press, 2008.

Alternative Economic Survey, India 2006-2007, by Alternative Survey Group, New Delhi, Dannish Books, 2007.

Government of India, Economic Survey, 2006-2007, New Delhi, Ministry of Finance, 2007.

Revisiting Employment and Growth by C. Rangarajan, Padma Kaul and Seema, Money and Finance, September, 2007.

Service-led Growth by Mihir Rakshit, Money and Finance, February, 2007.

Inclusive Growth in India, by S Mahendra Dev, New Delhi, Oxford University Press, 2008.

Green Left Weekly issue no. 710, May, 2007.